

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 EURE-00 CIAE-00 DODE-00 PM-04
H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01
SP-02 SS-15 USIA-06 AID-05 COME-00 EB-07 FRB-03
TRSE-00 XMB-02 OPIC-03 LAB-04 EPG-02 SIL-01
OMB-01 CEA-01 STR-04 AGR-05 /103 W
-----171744Z 042948 /42

P R 171657Z MAY 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC PRIORITY 8324
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USMISSION USBERLIN
USMISSION NATO
USNMR SHAPE
AMCONSUL FRANKFURT
AMCONSUL MUNICH
AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL HAMBURG
AMCONSUL STUTTGART
CINC USAFE RAMSTEIN
CINC USAREUR HEIDELBERG
CINC EUR VAIHINGEN

C O N F I D E N T I A L SECTION 01 OF 02 BONN 08489

DEPARTMENT PASS TREASURY, FRB AND CEA

E.O. 11652: GDS
TAGS: ECON, EFIN, GW
SUBJECT: ECONOMICS MINISTER STATES GROWTH WILL BE UNDER
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5 PERCENT IN 1977; MINISTRY SOURCES DENY
FUNDAMENTAL CHANGE IN PRE-SUMMIT OUTLOOK
POSITION

1. ECONOMICS MINISTER HANS FRIDERICHs REPORTEDLY TOLD A
FOREIGN PRESS ASSOCIATION DINNER THE EVENING OF MAY 16
THAT 1977 REAL GNP GROWTH IN THE FRG WILL BE UNDER 5

PERCENT. A UPI TICKER ITEM QUOTES FRIDERICH'S AS FOLLOWS:
"I IMAGINE WE WILL HAVE A FOUR AHEAD OF THE DECIMAL
POINT, ALTHOUGH I CANNOT SAY WHETHER GROWTH WILL BE 4.7
OR 4.3 PERCENT OR SOMETHING BETWEEN THOSE FIGURES." THE
REASON FOR THE LOWERED GROWTH OUTLOOK IS FOUND IN THE
WEAKENED PERFORMANCE OF THE ECONOMY DURING THE FIRST
QUARTER OF THIS YEAR AS WELL AS A FLATTENING AT THE END
OF LAST YEAR, FRIDERICH'S IS QUOTED AS SAYING IN THE UPI
STORY.

2. WE SPOKE TO A COUPLE OF SOURCES IN THE ECONOMICS
MINISTRY SEEKING TO CLARIFY THE MINISTER'S COMMENTS
AND WERE TOLD THAT THERE WAS NO PREPARED TEXT AVAILABLE
FROM WHICH THE MINISTER SPOKE; HIS REMARKS WERE "OFF
THE CUFF". ONE CONTACT TOLD US THAT THE MINISTER "WAS
MORE HONEST THAN HE SHOULD HAVE BEEN" UNDER THE
CIRCUMSTANCES. OUR SOURCES MAINTAINED THAT THE
GOVERNMENT'S APPROXIMATELY 5 PERCENT GROWTH FORECAST
FOR 1977, REITERATED ONLY RECENTLY AT THE LONDON SUMMIT,
WAS UNCHANGED. IT WAS POINTED OUT, HOWEVER, THAT THIS
CONSTANT PRICE FORECAST WAS MADE USING THE BASE YEAR
OF 1962, WHICH IF CHANGED TO A 1970 BASE WOULD LOWER
THE FORECAST FOR 1977, FOR STATISTICAL REASONS ALONE,
TO 4.7 PERCENT. (TECHNICAL EXPLANATION: IF THE RATES
OF GROWTH PREVIOUSLY FORECAST FOR THE VARIOUS GNP
COMPONENTS ARE APPLIED TO THE NEW 1970 BASED 1976
CONSTANT PRICE GNP, THE DOWNWARD ADJUSTMENT IS 0.3
PERCENTAGE POINTS. THE DEGREE AND DIRECTION OF THE
"STATISTICAL" CORRECTION DEPENDS, OF COURSE, ON THE
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-----171744Z 042997 /42

P R 171657Z MAY 77

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 8325

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION USBERLIN

USMISSION NATO

USNMR SHAPE

AMCONSUL FRANKFURT

AMCONSUL MUNICH

AMCONSUL BREMEN

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AMCONSUL HAMBURG

AMCONSUL STUTTGART

CINC USAFE RAMSTEIN

CINC USAREUR HEIDELBERG

CINC EUR VAIHINGEN

C O N F I D E N T I A L SECTION 02 OF 02 BONN 08489

PREVIOUS COMPONENT FORECASTS AND IN THE
CASE OF SOME LOWER GROWTH FORECASTS IT WILL RESULT IN
A SLIGHT UPPING OF THE 1977 OVERALL GNP GROWTH RATE.) THE
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MINISTER SHOULD HAVE MADE REFERENCE TO THIS SOMEWHAT
COMPLICATED ASPECT, WE WERE TOLD, RATHER THAN TO THE
BUSINESS CYCLE SITUATION AS THE REASONS FOR A LOWER
GROWTH FIGURE. OUR SOURCES WERE NOT ABSOLUTELY
SURE THAT THE MINISTER WAS FULLY AWARE AND UNDERSTOOD
THE STATISTICAL POINT INVOLVED. COMMENT -- SINCE THE
CHANGE OVER TO A 1970 BASE YEAR IS PRESENTLY IN PROCESS
(SEE BONN 8254), IT WILL BE A SOMEWHAT DIFFICULT
CONCEPT TO EXPLAIN TO THE GENERAL PUBLIC AS WELL.
FURTHER ADJUSTMENT FOR A DETERIORATED UNDERLYING
ECONOMIC SITUATION WOULD MAKE THE SITUATION
ALL THE MORE DIFFICULT PRESENTATIONALLY. FRIDERICH
MAY ONLY HAVE GOTTEN AHEAD OF HIS PEOPLE AND, MORE
IMPORTANTLY, THE CHANCELLOR, IN THIS PROCESS. END
COMMENT.

3. THE ECONOMICS MINISTRY SHORT-TERM FORECASTING CHIEF TOLD US IN THIS CONNECTION THAT HE HAD JUST COMPLETED A REVISED FORECAST TO BE USED IN THE INTERMINISTERIAL TAX REVENUE ESTIMATING MEETING TO BE HELD NEXT WEEK. HIS FORECAST, WHICH WILL BE PRESENTED AS THE ECONOMICS MINISTRY POSITION, IS THAT REAL GNP GROWTH IN 1977, USING A 1970 BASE YEAR WILL BE 4.6 PERCENT, WHICH REPRESENTS VIRTUALLY NO CHANGE FROM THE GOVERNMENT'S EARLIER FORECAST IF ADJUSTMENT IS MADE FOR THE EARLIER USE OF 1962 CONSTANT PRICES. NOMINAL GROWTH IS PREDICTED IN THIS NEW FORECAST TO BE 8.5 PERCENT, AS COMPARED TO THE 8.8 PERCENT FORECAST MADE LAST DECEMBER FOR THE SAME PURPOSE.
STOESSEL

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